Chapter 1

Table of Contents

Overview

Automated Disbursements Subsystem

About this Chapter 5

Introduction 7

What are Disbursements? 7

Treasury Disbursing Model 7

Subsystem Transactions 8

Overview of the Processing Cycle 9

General Overview of Automated Disbursements 9

Exhibit 1: The Automated Disbursements Process 9

Exhibit 2: Automated Disbursements Process Descriptions 10

Exhibit 3: Steps in the Automated Disbursements Process 11

Voucher Selection 12

Step 1: Selecting Payment and Credit Transactions 12

Step 2: Determining the Interest Base Date 14

Exhibit 4: Calculating the Interest Base Date 15

Step 3: Determining the Interest Accrual Date 16

Exhibit 5: Interest Accrual Equation 16

Exhibit 6: Calculating the Interest Accrual Date 17

Step 4: Calculating Interest 18
Exhibit 7: Daily Interest Rate Equation 18
Exhibit 8: Number of Interest Days Equation 18
Exhibit 9: Number of Interest Days Calculation 19
Exhibit 10: Daily Interest Rate Calculation Example 20
Exhibit 11: Interest After 60 Days Calculation Example 20
Exhibit 12: Interest After 66 Days Calculation Example 21
Step 5: Calculating if a Discount is Appropriate 22
Exhibit 13: Calculating the Annualized Discount Rate 23
Step 6: Rescheduling Payments 24
Exhibit 14: Calculating the Schedule Base Date 26
Exhibit 15: Calculating the New Schedule Date 27
Step 7: Assigning Accounting Distributions to Payments 28
Payment Determination 29
Step 1: Grouping Payments to the Same Vendor into One Payment 29
Step 2: Applying Credits to Payments 30
Step 3: Assigning Schedule Numbers to Each Payment 31
Step 4: Assigning Enclosure Codes and Text to Payments 32
Exhibit 16: Assigning Enclosure Codes and Text to Grouped Payments 33
Exhibit 17: Assigning Enclosure Codes and Text to Non-grouped Payments 34
Payment Generation 35
Schedule Posting 36
Exhibit 18: Tables Updated by Schedule Posting 37
Treasury File Generation 38
Treasury Reconciliation 38
Step 1: Process Treasury's Confirmation or Rejection 38
Step 2: Updating the Tables 39

  - *Exhibit 19: Tables Updated by Treasury Reconciliation* 40
  - Backing Out Incorrect Schedule Information 40
  - Recording Treasury Confirmation or Rejection Before Recording Payments 41

Disbursements Cancellation 42

  - Step 1: Entering Check/EFT Cancellation Transactions (CXs) 42
  - Step 2: Cancellation Reconciliation 44

Generating Information for Prompt Pay Reports 45

Generating Information for 1099 Vendors 46

Offline Procedures 47

Summary 48

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Overview

# Automated Disbursements Subsystem

About this chapter. . .

This chapter introduces you to terms and ideas that are discussed in the IFMS Automated Disbursements Subsystem volume. This subsystem is used to disburse expenditures scheduled for payment, and to cancel expenditures when appropriate. Subjects discussed include:

- Introduction to the IFMS Automated Disbursements Subsystem
- Introduction to Automated Disbursements Transactions
- Automated Disbursements Processing
- General Information about the Automated Disbursements Subsystem
- Automated Disbursements Offline Processing

This documentation is current as of the 5.1E7 subrelease.

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Introduction

The Automated Disbursements Subsystem records, monitors, and controls all activities associated with the disbursement of funds. These activities include:

# Generating General Ledger entries
# Disbursing funds by generating Treasury disbursement files
# Reconciling disbursements and check/EFT cancellations with Treasury's reports

What are Disbursements?

A **disbursement** is the transmission of cash. Once you have processed payment transactions into IFMS, the payments are scheduled for disbursement. This manual describes those payments which are scheduled for automated disbursement. For payments entered via the manual schedule process, or other payments issued outside of IFMS (such as contract payments issued via the Contract Payment System, CPS) see Volume IV of the *IFMS User's Guide* to read about the Accounts Payable Subsystem.

Treasury Disbursing Model

Using the **Treasury disbursing model**, the actual disbursement of funds occurs through the U.S. Department of the Treasury. The Automated Disbursements Subsystem creates SF-1166 schedules and files that contain information about the amount of funds to be disbursed and who should receive the funds. Then, Treasury uses the information on these schedules and files to disburse funds through Electronic Funds Transfer (EFT) using Automated

Clearing House (ACH) transfers or by issuing a check to the payee.

After Treasury disburses the funds, the Automated Disbursements Subsystem records the results of Treasury's disbursements by using data entered from Treasury reports. The Automated Disbursements Subsystem also contains processes for recording the cancellation of check or EFT payments.

Subsystem Transactions

The Check/EFT Cancellation Transaction (CX) is used to cancel check and EFT payments and is the only user entered transaction in the Automated Disbursements Subsystem.

The Automated Disbursements Subsystem also contains three system generated transactions: the Automated Disbursement (AD) transaction, the Voucher Selection (VS) transaction, and the Check Reconciliation (XR) transaction. The AD transaction is created by the system to recognize the disbursement of funds by an expenditure. The VS transaction records interest and discount postings. The XR transaction records the reconciliation of a Check Cancellation (CX) after it has been confirmed by the user.

Overview of the Processing Cycle

In IFMS, the Automated Disbursements Subsystem builds off of transactions previously entered in the Accounts Payable Subsystem. Expenditure transactions entered into IFMS which require check or EFT payments are selected by the Automated Disbursements Subsystem for disbursement.

General Overview of Automated Disbursements

The Automated Disbursements process for IFMS consists of seven smaller processes. Exhibits 1 through 3 describe what each process does.

The Automated Disbursements Process

Commitment

”
Payment Determination

”
Payment Generation

”
Schedule Posting

”
File Generation

”
Treasury Reconciliation

”
Disbursements Cancellation

Exhibit 1

Automated Disbursement Process Descriptions

Process Name	**What the Process Does**
Voucher Selection	An offline process that selects payment transactions for disbursement based on selection parameters such as the 30 day prompt payment date. This process also applies any discounts, interest, or penalties.
Payment Determination	An offline process that determines if any payments and credits should be consolidated into a single payment.
Payment Generation	An offline process that creates tapes containing payment and schedule information.
Schedule Posting	An offline process that updates various inquiry tables with disbursement information and posts accounting entries for interest, discounts, and penalties to the general journal and inquiry tables.
Treasury File Generation	An offline process that creates Treasury tapes for ACH and check payments from the payment files.
Treasury Reconciliation	An offline process that reads the data on Treasury Schedule tables in order to post various general journal and inquiry tables when a schedule is confirmed or rejected by Treasury. When you obtain the disbursement confirmation/rejection information from Treasury, you manually enter this information online into the TSCH Table.
Disbursements Cancellation	The Check/EFT Cancellation (CX) is used to update various inquiry tables to reflect the cancellation of a check or EFT payment. Similar to the Treasury Reconciliation process, the Check/EFT Cancellation Reconciliation offline process uses information manually entered on the CX transaction and the CXLT Table to post to various tables when a check or EFT cancellation schedule is confirmed or rejected by Treasury.

Exhibit 2

Steps in the Automated Disbursement Process

Process	**Steps in the Process**
Voucher Selection	1. Selects payment and credit transactions 2. Determines the Interest Base Date 3. Determines the Interest Accrual Date[1] 4. Calculates interest 5. Calculates if a discount is appropriate 6. Reschedules payments 7. Assigns accounting codes to payments
Payment Determination	1. Groups payments to the same vendor into one payment if the Group Checks flag on the VEND Table = Y. 2. Applies credits to payments* 3. Assigns schedule numbers to each payment* 4. Assigns enclosure codes and text to payments*
Payment Generation	1. Creates Treasury payment files and zero payment files for EPA reporting
Schedule Posting	1. Updates journals and inquiry tables with disbursement information
Treasury File Generation	1. Produces Treasury files for the transmission of payment data to Treasury
Treasury R3econciliation	1. Processes confirmation or rejection of a schedule on the TSCH Table 2. Updates inquiry tables
Disbursements Cancellation	1. Cancels checks or EFT payments 2. Processes CX transactions and data entered on the CXLT Table to perform Check Cancellation Reconciliation

Exhibit 3

---

* See the Accounts Payable Subsystem of the *IFMS User's Guide* for more information.

Voucher Selection

The Voucher Selection process consists of a series of steps which determine how IFMS selects payment transactions for disbursement. These steps include:

Step 1 Selecting payment and credit transactions

Step 2 Determining the Interest Base Date for each payment line

Step 3 Determining the Interest Accrual Date for each payment line

Step 4 Calculating interest to be applied to a payment line

Step 5 Calculating if a discount is appropriate for a payment line

Step 6 Rescheduling the payment if the discount is inappropriate

Step 7 Assigning accounting codes to each payment line

Step 1: Selecting Payment and Credit Transactions

To start the disbursements process, the designated payment coordinator enters the parameters that IFMS uses to determine which unpaid payments and credits on the Unpaid Voucher Table (UPVT) and which replacement checks from the Checks Awaiting Replacement Table (REPL) should be selected for disbursement. These parameters also indicate the date Treasury will make the disbursement.

The following parameters are entered by the designated payment coordinator and serve as default values where the following fields are not entered by the user on the payment:

# **Beginning and Ending Schedule Date.** These dates are entered on the RUNP Table and are used to select payments from the UPVT Table.

# **Disbursing Office Code.** This code represents the disbursing office for which payment is to be made.

# **Schedule Category.** The Schedule Category indicates which category of payment will be selected:

T	Treasury Check Payment
A	ACH Payments

# **Schedule Type.** The Schedule type indicates which type of payment will be selected:

M	Miscellaneous
T	Transportation

# **Payment Date.** This date represents the date on which Treasury will make the disbursement. If left blank, IFMS uses the current system date plus the Treasury Disbursement Lag Days from the Disbursing Options Table (DOPT).

Based on your parameters, IFMS selects the unpaid payments, outstanding credits, and replacement checks that meet your selection criteria.

Step 2: Determining the Interest Base Date

Next, IFMS determines if interest should be applied to a payment line based on the Prompt Payment Act. IFMS schedules the payment according to the payment line with the earliest schedule date.

If a payment line is subject to the Prompt Payment Act, based on the Prompt Pay Indicator on the Voucher Line Table (PVLT), IFMS calculates the Interest Base Date. The Interest Base Date is the base date used in the calculation for determining if interest and penalties will accrue.

Exhibit 4 on the following page shows how the Interest Base Date is calculated.

Calculating the Interest Base Date

IFMS calculates the Interest Base Date by checking the Trigger Date Flag on the PPAY Table

If **L**, the Interest Base Date is the later of the Vendor Invoice Log Date* on the VCTI Table and the Acc/Del Date from the PVLT Table	If **I**, the Interest Base Date is the Vendor Invoice Log Date on the VCTI Table	If **D**, the Interest Base Date is the Acc/Del Date on the PVLT Table

* If the Vendor Invoice Log Date on the PVLT Table is blank, the following dates are used in this order:

Voucher Tracking Log Date on the VCTI Table

Vendor Invoice Date field on the PVLT Table

Transaction Date on the PVLT Table

Exhibit 4

Step 3: Determining the Interest Accrual Date

The Interest Accrual Date is the date that interest begins to accrue on a payment. IFMS uses the Interest Base Date calculated in Step 2 to determine the Interest Accrual Date. Exhibit 5 shows how the Interest Accrual Date is calculated:

Interest Accrual Equation

Interest Accrual = Interest Base Date + Interest Payment Lag + Prompt Pay Interest Date
Days

(from VCTI or PVLT) (from PPAY) (from PPAY)

Exhibit 5

In the equation, the **Interest Payment Lag** is the number of days, after the Interest Base Date, that the payment is due to the vendor. The **Prompt Pay Interest Days** are any grace period that you have after the traditional payment due date until interest will begin accruing.

Exhibit 6 on the following page shows how IFMS calculates the Interest Accrual Date.

Calculating the Interest Accrual Date

IFMS calculates the Interest Accrual Date

Interest Accrual Date = Interest Base Date + Interest Payment Lag + Prompt Pay Interest Days

Calculated in Step 2

IFMS determines the Interest Payment Lag as specified on the PPAY Table

Checks the OBLH Table for the referenced obligation

If the referenced obligation specifies negotiated payment days, the negotiated payment days are used as the Interest Payment Lag

If there is not referenced obligation or the referenced obligation does not specify negotiated payment days, IFMS checks the VEND Table

If the Pay Lag is specified, the Pay Lag is used as the Interest Payment Lag

If the Pay Lag is not specified, the payment lag from the PPAY Table is used

Number of Interest Days specified on the PPAY Table

Exhibit 6

Step 4: Calculating Interest

Interest is applied to a payment line if the payment date is later than the Interest Accrual Date. IFMS calculates the interest amount using simple interest with 30 day compounding.

The Daily Interest Rate and the Number of Interest Days are used to compute the interest amounts. These terms are described in Exhibits 7 and 8.

Daily Interest Rate Equation

$$\text{Daily Interest Rate} = \frac{\text{Effective Interest Rate from the PPAY Table}}{360}$$

Exhibit 7

Note that on the Prompt Pay Table (PPAY) you can specify multiple interest rates and the dates that these rates should take effect. The interest rate which is in effect for the Interest Accrual Date is used in the daily interest rate calculation.

Number of Interest Days Equation

$$\text{Number of Interest Days} = \text{Payment Date} - \text{Interest Accrued Date}$$

Exhibit 8

See the following example for specific information on how interest is calculated.

Interest Example

Suppose:

- The Interest Accrual Date is March 1, 1998
- The Payment Date is May 6, 1998
- The payment is for $1,000
- The effective interest rate on the Prompt Pay table for the Interest Accrual Date is 10%

In this example, the payment date is later than the Interest Accrual Date, so interest will be calculated and applied to the payment. To do this, IFMS first calculates the number of interest days as in Exhibit 9.

Number of Interest Days Calculation Equation

Number of Interest Days = Payment Date - Interest Accrual Date

Number of Interest Days = May 6, 1998 - March 1, 1998
= 66 days

Exhibit 9

The total amount of interest due is shown in Exhibit 10:

For the first 30 days:

Daily Interest Rate Calculation Example

Daily Interest Rate = Effective Interest Rate (10%) / 360
= .00028

Interest after 30 days = (Payment Amount)(Daily Interest Rate)(30 days)
= 1000 (.00028)(30)
= 1000 (.00840)
= 8.40

Exhibit 10

Exhibit 11 shows the interest for the next 30 days (60 days total):

Interest After 60 Days Calculation Example

Interest after 60 days = (Payment Amount including 30 day interest)(Daily Interest Rate)(30 days)
= 1008.40 (.00028)(30)
= 1008.40 (.00840)
= 8.47

Exhibit 11

Exhibit 12 shows interest for the Remaining 6 days (66 days total):

Interest After 66 Days Calculation Example

Interest after 66 days = (Payment Amount including 60 day interest)(Daily Interest Rate)(6 days)
= 1016.87 (.00028)(6)
= 1016.87 (.00168)
= 1.71

Total Amount Due = 1016.87 + 1.71
= 1018.58

Exhibit 12

If interest is applied to a payment line, an interest reason code from the IRCT Table is required for the line. The interest reason code indicates the reason that the payment is late. IFMS assigns to the payment the interest reason code stored on PVLT or, if there is no interest reason code on PVLT, the default code from DOPT is used.

? **Note**

For simplicity in this example, we rounded all decimal places to five decimal places for rates. When IFMS computes the interest amounts, IFMS rounds all rates to ten decimal places.

For more information on Prompt Payment penalties, see the Accounts Payable Subsystem volume of the *IFMS User's Guide*.

Step 5: Calculating if a Discount is Appropriate

A **discount** is an agreement between the EPA and a vendor stating that the EPA will receive a discount on funds owed to the vendor if the EPA pays the vendor within a specified period of time. If there are discount terms associated with a payment, IFMS uses these terms to determine if the discount is feasible and economically justified. These discount terms are stored on PVLT by the Accounts Payable process. (See the Accounts Payable Subsystem of the *IFMS User's Guide* for more information.)

Exhibit 13 shows how IFMS calculates the annualized discount rate to determine if a discount will be taken.

Calculating the Annualized Discount Rate

IFMS calculates the Annualized Discount Rate

$$\text{Annualized Discount Rate for Percentage Discounts} = \left[\left(\frac{360}{\text{Interest Accrual Date* - Last Date of Discount}}\right)\left(\frac{\text{Discount\%}}{\text{100\% - Discount\%}}\right)\right] * 100$$

Using the Discount Percent from the PVLT Table, the discount terms with the Annualized Discount Rate is compared to Treasury's current value of funds rate defined on the DOPT Table

If the Annualized Discount Rate is greater than or equal to the current value of funds rate, the discount is taken

If the Annualized Discount Rate is less than the current value of funds rate, the discount is not taken, because the EPA would receive a higher rate of return on their funds by not taking the discount

At this point, IFMS checks the New Schedule Date*

If the New Schedule Date has passed, the discount is lost (inappropriate)

The discount lost reason code from the DOPT Table is assigned to the payment

If the New Schedule Date falls within the beginning and ending schedule date parameters on the RUNP Table, the discount is taken

If the New Schedule Date is in the future, IFMS places the payment on the UPVT Table for rescheduling at a later date

* The New Schedule Date calculation is discussed in the next section

Exhibit 13

Step 6: Rescheduling Payments

If a payment line is not scheduled to take advantage of a discount because the discount was not economically feasible or the Last Date of Discount has passed, IFMS will try to reschedule the payment.

Exhibits 14 and 15 show in greater detail how IFMS recalculates a payment's schedule date. The calculations depicted in the diagrams are:

- Schedule Base Date Calculation
- New Schedule Date Calculation

Before looking at the diagrams, you may find it helpful to review the following terms used when scheduling payments.

Treasury Disbursing Lag Days

The delay between when the EPA sends the SF-1166 and the tapes to Treasury and when Treasury actually sends the payments is referred to as **Treasury Disbursing Lag Days**. Treasury Disbursing Lag Days are defined on the DOPT Table.

Obligation Negotiated Payment Days

The number of days that the EPA negotiated with the vendor to pay the invoice for a specified obligation is referred to as **Obligation Negotiated Payment Days**. Obligation Negotiated Payment Days are defined on the payment's referenced obligation on the OBLH Table.

Vendor Lag Days

The number of days the EPA contracted with the vendor to pay invoices is referred to as **Vendor Lag Days**. Vendor Lag Days are defined on the VEND Table.

Prompt Pay Lag Days

The number of days that the vendor invoice should be paid according to the Prompt Payment Act is referred to as **Prompt Pay Lag Days**. Prompt Pay Lag Days are defined on PPAY by prompt pay type.

? **Note**

Each of the steps in the schedule recalculation process applies to each payment line on the payment. Then, IFMS schedules the payment according to the payment line with the earliest schedule date.

Calculating the Schedule Base Date

IFMS determines if the transaction is subject to Prompt Payment by checking the PVLT Table

If the Prompt Pay Flag is **Y**, IFMS determines the Trigger Date Flag based on the Prompt Pay Type from the PPAY Table entered in the transaction's Prompt Pay Type field

If **N**, the payment is not subject to prompt payment, and the PVLT Transaction Date is used as the Schedule Base Date

If the Trigger Date Flag is **L**, the Schedule Base Date is the later of the Vendor Invoice Date* and the Acc/Del Date on the PVLT Table

If the Trigger Date Flag is **I**, the Schedule Base Date is the Vendor Invoice Log Date

If the Trigger Date Flag is **D**, the Schedule Base Date is the Acc/Del Date on the PVLT Table

*If the Vendor Invoice Log Date is blank, the following dates are used in this order:

# Voucher Tracking Log Date on the VCTI Table

# Vendor Invoice Date field on the PVLT Table

# Transaction Date on the PVLT Table

Exhibit 14

Calculating the New Schedule Date

IFMS calculates the New Schedule Date

If the payment references an obligation with negotiated payment days, the calculation is:

New Schedule Date = Schedule Base Date + Negotiated Payment Days (from OBLH) - Treasury Disbursing Lag Days (from DOPT)

If the payment does not reference an obligation or if no special terms exist for a payment, IFMS calculates the Payment Lag Days by checking the Lag Days field in the VEND Table

If lag days are specified:

New Schedule Date = Schedule Base Date + Vendor Lag Days (from VEND) - Treasury Disbursing Lag Days (from DOPT)

If VEND does not specify lag days and the payment is subject to prompt payment:

New Schedule Date = Schedule Base Date + Prompt Payment Lag Days (from PPAY) - Treasury Disbursing Lag Days (from DOPT)

Exhibit 15

Step 7: Assigning Accounting Distributions to Payments

For payments and credits, accounting data is collected for each transaction scheduled for disbursement from the PVHT and PVLT tables. In addition, accounting distribution information is also collected for any discounts or interest associated with a particular payment. This enables EPA to track discounts and interest separately from the cost of the goods or services.

IFMS posts discounts and interest according to options on DOPT. Depending on these options, the discount's and interest's accounting distribution is derived from:

# The FUND Table

# The PVLT Table

# A combination of codes from the FUND Table and the PVLT Table

Payment Determination

The Payment Determination process consists of five steps. Within these five steps it:

1. Identifies payments based on the payment's Schedule Category. Invoice numbers are viewed as separate payments for ACH payments, while individual transactions are viewed as separate payments for Treasury check payments
2. Groups payments to the same vendor into a single payment
3. Applies credits to payments
4. Assigns schedule numbers and sequence numbers to each payment
5. Assigns enclosure codes and text to payments

Each of these steps is described in detail on the following pages.

Step 1: Identifying Payments

The total number of ACH payment files and the NUMBER OF PAYMENTS field on the Treasury Schedule Control Header (TSCH) table is determined by the number of individual invoice numbers on a payment transaction. Alternatively, the total number of Treasury check payments is determined by the number of individual payment transactions processed. For example, if a user enters a Payment Voucher (PV) transaction with a Schedule Category of **A** (ACH payment), containing two lines with different invoice numbers, two payments (# of invoice numbers) are produced for the ACH payment file. However, if the same PV transaction is processed with a Schedule Category of **T** (Treasury check payment), one payment is generated (# of IFMS transactions). Likewise, a PV transaction containing 10 lines with the same invoice number would produce only one payment file in both cases, whether it is an ACH payment or a Treasury check payment.

Step 2: Grouping Payments to the Same Vendor into One Payment

IFMS can group together all payments to the same vendor into a single payment. To determine which payments should be grouped, IFMS:

- Checks the Group Payment Indicator on DOPT. Since the Group Payment Indicator is set to **Y**, IFMS checks the Group Payment Indicator on VEND.
- If the Group Payment Indicator on the Vendor Table is also **Y**, IFMS groups all payments for this vendor into a single payment.

IFMS will ***never*** group these types of payments:

# Any payments marked for Hand Pick-up (i.e., Check Type **H** on the PVHT Table).

# Any payments for miscellaneous vendors.

# Any payments that do not contain a vendor code.

? **Note**

IFMS stops grouping if the payment amount exceeds the Payment Limit Amount on the DOPT Table, or if the number of invoices on the payment equals the maximum that can be printed in the text comments. For check payments, the maximum number of invoices is twelve. For ACH payments, the maximum number of invoices is two. ACH payments that contain more than two invoices will be automatically converted to check payments.

Step 3: Applying Credits to Payments

IFMS applies credits to all grouped payments. In addition, credits can be applied to any payments that are not grouped if the Take Credits If Not Grouping Indicator on DOPT is **Y**.

Credits are applied as either full credits or partial credits depending on the value of the Partial Credit Indicator on the DOPT Table.

# If the option is **Y**, IFMS applies outstanding credits to the payment transaction until the payment amount equals zero. The remaining credit balance, if any, is posted during the Schedule Posting process. Credits are not applied against payments processed on an earlier date.

# If the option is **N**, IFMS applies credits if the credit amount is less than or equal to the payment amount. If the credit amount is greater than the payment amount, no credits are applied to the payment. All unused credits are posted to UPVT during the Schedule Posting process.

When a credit applied to a payment reduces the balance of a payment to zero, a **zero payment** occurs. Zero payments are segregated into a zero payment file for use in reporting.

Step 4: Assigning Schedule Numbers to Each Payment

After all payments are grouped and outstanding credits are applied, IFMS assigns a schedule number and a payment sequence number to each payment.

The sequential schedule number is assigned from the Schedule Number Table (SCHD) using the payment's fiscal year, schedule category, and schedule type.

IFMS also assigns the payment sequence number, starting with the first payment of the payment file. Later in the Automated Disbursements process for checks, the payment sequence numbers will be replaced by the check numbers.

? **Note**

Although no Treasury disbursements are made for zero payments, IFMS still must track zero payments for accounting purposes. IFMS reassigns the sequence numbers to the payments to reflect the absence of the zero payments in the Treasury payment file.

In the TSCL Table, any payment with a **Z** as the first character of the payment sequence number is a zero payment.

Step 5: Assigning Enclosure Codes and Text to Payments

IFMS assigns an enclosure code to each payment that is disbursed by check. An **enclosure code** tells Treasury whether the check requires a comment card (check stub), or whether the check will be picked up.

The enclosure codes assigned to check payments are listed below:

0	Hand Pick Up Checks - check face comments only
1	No comment card - check face comments only
2	Comment card will be issued

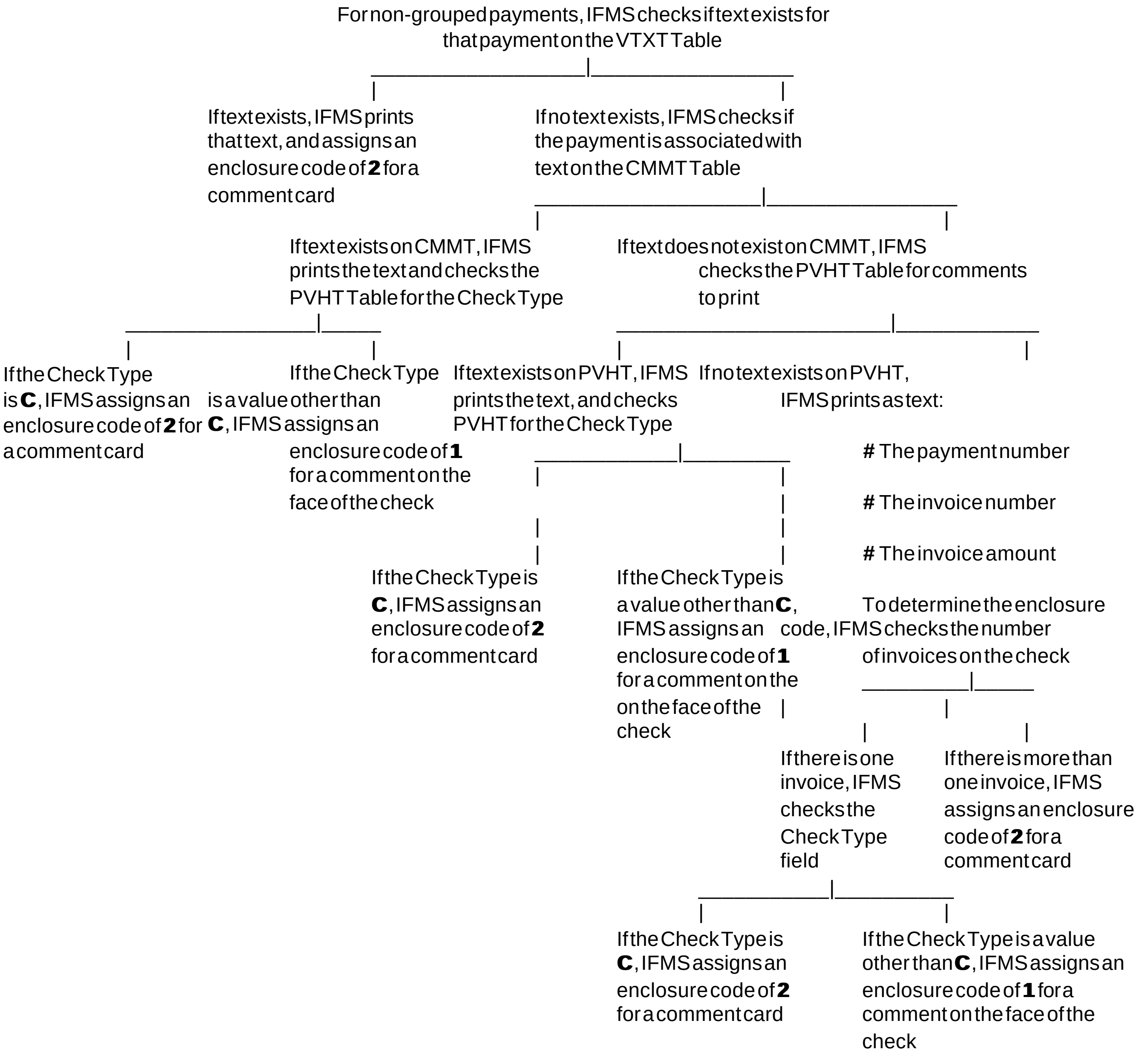
Exhibits 16 and 17 describe how enclosure codes and text are assigned to payments.

Assigning Enclosure Codes and Text to Grouped Payments

```
                                   IFMS determines the type of payment
                   __________________________________|______________________________
                   |                                                      |
If an ACH payment, IFMS uses the                  For check payments, IFMS determines if the
vendor invoice numbers as text                            check is to be hand picked-up by looking at the
                                                          Check Type field
                                                  ___________________|__________________
                                                  |                                     |
                          If the Check Type is H, the check is a hand     If the Check Type is a
                          pick-up check                                   value other than H, IFMS
                                                                          checks if the payment is
                          Comments from the PVHT Table are printed        grouped
                          as text on the face of the check, and IFMS
                          assigns an enclosure code of 0         ________________________|_______
                                                                 |                        |
                                      If the payment is grouped,          If the payment is not grouped,
                                      IFMS prints as text:                IFMS checks if text exists for
                                                                          that payment on the VTXT
                                      # The payment number                Table. See Exhibit 17.

                                      # The invoice number

                                      # The invoice amount

                                      IFMS assigns an enclosure
                                      code of 2 for a comment card.
```

Exhibit 16

Assigning Enclosure Codes and Text to Non-grouped Payments



- For non-grouped payments, IFMS checks if text exists for that payment on the VTXT Table
  - If text exists, IFMS prints that text, and assigns an enclosure code of **2** for a comment card
  - If no text exists, IFMS checks if the payment is associated with text on the CMMT Table
    - If text exists on CMMT, IFMS prints the text and checks the PVHT Table for the Check Type
      - If the Check Type is **C**, IFMS assigns an enclosure code of **2** for a comment card
      - If the Check Type is a value other than **C**, IFMS assigns an enclosure code of **1** for a comment on the face of the check
    - If text does not exist on CMMT, IFMS checks the PVHT Table for comments to print
      - If text exists on PVHT, IFMS prints the text, and checks PVHT for the Check Type
        - If the Check Type is **C**, IFMS assigns an enclosure code of **2** for a comment card
        - If the Check Type is a value other than **C**, IFMS assigns an enclosure code of **1** for a comment on the on the face of the check
      - If no text exists on PVHT, IFMS prints as text:
        - # The payment number
        - # The invoice number
        - # The invoice amount

        To determine the enclosure code, IFMS checks the number of invoices on the check
        - If there is one invoice, IFMS checks the Check Type field
          - If the Check Type is **C**, IFMS assigns an enclosure code of **2** for a comment card
          - If the Check Type is a value other than **C**, IFMS assigns an enclosure code of **1** for a comment on the face of the check
        - If there is more than one invoice, IFMS assigns an enclosure code of **2** for a comment card

Note:

Check Type C: Payment is to contain a comment card

Exhibit 17

? **Note**

IFMS always reserves one line of text for interest information and another line of text for Servicing Finance Organization (SFO) identification and the SFO telephone number. This text consists of the number of interest days, the interest percent, and the interest applied. For enclosure codes **0** or **1**, the text is printed on the face of the check. For enclosure code **2**, the text is printed on the comment card.

In addition, all payments scheduled for disbursement through ACH that contain more than two invoices are converted into check payments. IFMS changes the disbursements from ACH payments to check payments because ACH payments contain only enough room for two invoices.

Payment Generation

The Payment Generation process uses the payment tapes created in the Payment Determination process to produce payment tapes according to Treasury standards. IFMS uses these tapes in the Schedule Posting process to update inquiry tables with disbursement information and, in the Tape Generation process, to produce the tapes that Treasury uses in its disbursement process.

There are three types of Treasury payment tapes that will be sent to Treasury:

# Check payment file

# Vendor/Miscellaneous ACH payment file

# Transportation/ACH payment file

Schedule Posting

The Schedule Posting process uses data from the payment tapes, which will be submitted to Treasury, to update IFMS tables with disbursement information. The tables that are updated and the information IFMS updates on each table are listed in Exhibit 18.

? **Note**

If the Schedule Posting process encounters errors, the payment that caused the error will be rescheduled to **99/99/9999** on the UPVT Table and the prior Automated Disbursements processes are re-executed to reflect the absence of these payments.

Tables Updated by Schedule Posting

Table	**Schedule Posting Updates**
Treasury Schedule Header and Line Tables (TSCH and TSCL)	Creates a record for each schedule generated and each payment line on a generated schedule
Payment Voucher Line-Disbursement Document Cross-Reference Table (VXDD)	Creates a cross-reference record for each payment line associated with a generated agency schedule
Voucher Header and Line Tables (PVHT and PVLT)	Updates the in-transit amount for all payments included on a generated schedule
Unpaid Voucher Table (UPVT)	Deletes all payments selected for disbursement. Credits used are deleted and partial credit amounts are updated. Also, payments rescheduled because of discounts or minor errors are updated with the New Schedule Date
Checks Awaiting Replacement Table (REPL)	Deletes any checks replaced
Replace EFT Table (ERPL)	Deletes any EFT payments replaced
Schedule Number Table (SCHD)	Deletes all used schedule numbers
General Ledger Tables	Posts accounting entries for interest and discounts
Budget Execution Tables	Updates budget amounts for interest and discounts

Exhibit 18

Treasury File Generation

The Treasury File Generation process produces a payment file for the transmission to Treasury.

Treasury Reconciliation

There are two steps in the Treasury Reconciliation process:

1. You manually record Treasury confirmation or rejection of a schedule using information retrieved from Treasury reports (confirmation date, beginning check number, ending check number, etc.). This information is recorded on the TSCH Table.
2. An offline process is run that updates the Automated Disbursements tables (TSCH/TSCL and PVHT/PVLT) based on Treasury's confirmation or rejection.

After the explanation of these steps, we'll describe how to back out incorrect schedule postings and how to record Treasury confirmation or rejection before you record the payments on the TSCH Table.

Step 1: Process Treasury's Confirmation or Rejection

When you retrieve reports from Treasury that the payments on a schedule have been disbursed, you enter **C** (for confirmed) in the Treasury Action field on the Treasury Schedule Control Header Table (TSCH). If the disbursement schedule was not processed by Treasury, you enter **R** (for rejected) in the Treasury Action field on the Treasury Schedule Control Rejection Table (TSCR). You also enter the confirmation or rejection date, the confirmation or rejection amount, and, for confirmed schedules, the check range assigned by Treasury.

? **Note**

If you are confirming or rejecting a manual schedule that has not been entered into the system, add an entry to TSCH. This is used to record Treasury's actions on the disbursements that have yet to be recorded in IFMS. See the "Recording Treasury Confirmation or Rejection Before Recording Payments" section below for more information.

Step 2: Updating the Tables

Next, an offline process is run that uses the information entered into the Treasury Schedule Control Header Table (TSCH) and the Treasury Schedule Control Rejection Table (TSCR) to post the confirmation or rejection to IFMS tables.

Exhibit 19 lists the updates that IFMS performs on the various tables.

Tables Updated by Treasury Reconciliation

Table	Treasury Reconciliation Updates
Treasury Schedule Header and Line Tables (TSCH and TSCL)	Indicates which schedules and payments were confirmed or rejected
Voucher Header and Line Tables (PVHT and PVLT)	Closes any payment transaction on confirmed schedules. For rejected schedules, sets payments to in-transit status
Check and EFT Tables (CHKH, CHKL, EFTH, EFTL)	Records check and payment numbers, and the payment related to each check or EFT payment
General Ledger Tables	Records the appropriate journal postings based on the transaction code and transaction type of the payment
Vendor Table (VEND)	Records the disbursement of 1099 payments
Budget Execution Tables	For rejected schedules, backs out payment information
Unpaid Voucher Table	Adds payments to this table for rejected schedules

Exhibit 19

Backing Out Incorrect Schedule Information

If a schedule is confirmed and processed with incorrect information (e.g., the confirmation date, amount, or check range was wrong), you can reverse the posting by setting the back-out indicator to **Y** for the particular schedule in error on the Treasury Schedule Header Table (TSCH). The next time that an offline process is run, IFMS will reverse all the updates originally made by the Treasury Reconciliation process. The information can be corrected for the next time Treasury Reconciliation is run.

Recording Treasury Confirmation or Rejection Before Recording Payments

For manual schedules, the Treasury Reconciliation process allows you to record Treasury confirmation or rejection of a schedule before the payments are recorded in IFMS. IFMS will use the Post Confirmation, Fund, and Transaction Type information contained on the DOPT Table to post the Treasury action to the General Ledger. As payment details are recorded, these postings are reversed. The following example describes an instance when Treasury confirmation would be recorded before payments are recorded in IFMS.

Example

A regional office needs to disburse funds not previously entered into IFMS in a short period of time. Thus, the office sends a manual schedule to Treasury specifying the payments to be disbursed. Treasury processes the disbursements, and reports the schedule number, check range, and the amount of funds disbursed.

Because the payments were not entered into IFMS and did not go through the normal Automated Disbursements process, there is no information about the payment except the disbursement data received from Treasury. At this point, you can enter the results of the Treasury confirmation into IFMS, and IFMS will use post confirmation options from DOPT to post the confirmation to the General Ledger. When you enter the payment transaction into IFMS, IFMS will replace the confirmation posting with the accounting data entered on the payment transaction.

Disbursements Cancellation

To cancel a check or an EFT payment, a CX transaction is entered into IFMS. Once this transaction is certified by a Certifying Officer and processed PASS2, the transaction updates all of the appropriate IFMS inquiry tables with the cancellation information. Once Treasury confirms the cancellations, the Cancellation Reconciliation process records the cancellation via an overnight update of the General Ledger.

Step 1: Entering Check/EFT Cancellation Transactions (CXs)

There are three ways that you can cancel a check or an EFT payment using the CX:

- **Cancellation Code R: Cancellation for Replacement**

A CX entered with cancellation code **R** is used to create a new payment that is identical to, and replaces, the original payment. For cancellation for replacement, IFMS does not recalculate the interest, discounts, penalties, or the schedule date. Payments canceled for replacement are automatically scheduled to be included in the next Automated Disbursements run.

Checks to be replaced appear on the Checks Awaiting Replacement Table (REPL). EFT payments to be replaced appear on the Replace EFT Table (ERPL).

- **Cancellation Code C: Cancellation for Reissue**

A CX entered with cancellation code **C** is used to cancel the payment by resetting the payment to an unpaid status. On the CX you can specify the schedule date for payments. At this point, the payment may also be modified or deleted (see the Accounts Payable Subsystem volume of the *IFMS User's Guide* for more information on modifying, deleting, or canceling payments).

When the reissued payments are selected for disbursements, IFMS recalculates any discounts, interest, and penalties. Thus, a payment canceled for reissue that originally took advantage of a discount may be reissued without a discount because the payment is no longer being paid within the period of time to allow a discount.

- **Cancellation Code X: Cancellation for Deletion**

A CX entered with a cancellation code of **X** is used to cancel the payment line(s) that have been disbursed. If the disbursement contains a transaction category of **PV** (Payment Voucher), **TO** (Travel Order), or **IF** (Imprest Fund Reimbursement), IFMS modifies the payment lines on the PVLT Table to zero and reopens any referenced transactions (if the cancellation type is **Y** or **N**) on the OBLH and OBLL tables.

If the disbursement contains a transaction category of **TV** (Transportation Voucher), **TN** (Transportation Invoice), or **TP** (Transportation-Related Payment Voucher), IFMS resets the associated transaction to an unpaid status, with a scheduled payment date of **99/99/9999** on the UPVT Table to prevent the payment from being reissued. To delete the payment from IFMS, you must cancel the transaction (see the Accounts Payable Subsystem volume of the *IFMS User's Guide* for more information on modifying, deleting, and canceling payments).

? **Note**

A CX transaction may be canceled, but the cancellation must occur before the CX is confirmed. (For more information on the cancellation of the CX transaction, please refer to the Tutorial in Chapter 5).

Step 2: Cancellation Reconciliation

Similar to the Treasury Reconciliation process, the Check Cancellation Reconciliation process uses information entered on the Check/EFT Cancellation Tables (CXLT) to post to the General Ledger when a check or EFT cancellation schedule is confirmed by Treasury. There are two steps in this process:

1. The entry by the user of the Treasury cancellation confirmation information (e.g., Treasury Cancel Number, Confirm Date) for each cancellation on the CXLT Table.
2. An overnight offline process is run from which IFMS updates the General Ledger.

- **Entering Cancellation Information**

Treasury will notify your office through GOALS and hard copy reports when a canceled check is confirmed. You can directly enter the Treasury confirmation for a cancellation on the CX. If the confirmation occurs after the CX has been processed, the confirmation can be recorded by entering the confirmation date and Treasury cancellation number on the Check/EFT Cancellation Table (CXLT).

- **Cancellation Reconciliation General Ledger Postings**

The Cancellation Reconciliation offline process posts the Treasury confirmation of the cancellation to the General Ledger, and updates the confirmation indicator on the CXLT Table from **N** to **Y** to indicate that the confirmations were posted.

? **Note**

If the Cancellation Reconciliation process posts a cancellation in error, you can reverse the signs by changing the back-out indicator on the CXLT Table for the particular check or EFT payment in error from **N** to **Y**. The next time that the offline process is run, IFMS will reverse all the updates originally made by the Cancellation Reconciliation process.

Generating Information for Prompt Pay Reports

The Automated Disbursements process for Treasury disbursing offices tracks all information required to generate the required prompt payment reports. These reports contain information such as:

- Dollar amount of discounts taken
- Number of payments with discounts taken
- Number and dollar of payments paid late
- Amount of interest and penalties paid
- Reasons for late payments

The Prompt Pay Detail Table (PPDT) entries are created by the Treasury Reconciliation and Disbursements Cancellation processes. Each voucher that has been disbursed is located on this table with information concerning discounts, due date, paid date, accrued interest, paid interest and penalties, and reasons for late payment. The Prompt Pay Summary Tables (PPST, PPS2, and PPS3) summarize all of the information stored on PPDT during the reporting period. The Prompt Pay Summary tables are used to generate the prompt payment reports.

Payments entered outside of the Automated Disbursements process must be manually entered on the PPDT Table if they should be included in the Prompt Pay Reports. Vendors are due prompt pay if their Vendor Category on the VCAT Table is defined as a prompt pay vendor category.

Generating Information for 1099 Vendors

SF-1099s are produced annually for the Internal Revenue Service and for vendors whose cumulative disbursement amount is greater than $600.00. To produce the SF-1099, the Vendor Prior to Current Year Amount Table update process is run on the last day of the calendar year. A 1099 Update Program is run first to generate 1099 calendar year-to-date disbursed amounts for 1099 vendors. This program also generates a detail report of 1099 information by SFO and updates the Vendor Prior Calendar Year Disbursement Table (VPYA). A second 1099 Report program creates 1099 information for 1099 Forms to be sent to vendors and 1099 information to be transmitted to the IRS.

Offline Procedures

Most of the processes that take place in the Automated Disbursements Subsystem are offline process which run overnight. The following Automated Disbursement procedures are offline procedures:

- Voucher Selection
- Payment Determination
- Payment Generation
- Schedule Posting
- Treasury File Generation
- Treasury Reconciliation
- Check/EFT Cancellation Reconciliation

These procedures are described in both this chapter and Chapter 4 of this volume of documentation.

Summary

A disbursement is an outlay of cash from an agency to a supplier of goods and services. IFMS supports the Treasury disbursing model.

Using the Treasury disbursing model, the actual disbursement of funds occurs through the U.S. Department of the Treasury. IFMS selects and schedules the payments for disbursement and updates the General Ledger with these transactions.

The Automated Disbursements process creates files and schedules that contain information about the amount of funds to be disbursed and the payee. Then, Treasury uses the information from these files and schedules to disburse the funds through electronic funds transfer or by issuing a check to the payee.

The processes that make up the Automated Disbursements process are: Voucher Selection, Payment Determination, Payment Generation, Schedule Posting, Treasury File Generation, Treasury Reconciliation, and Disbursements Cancellation.